

WEEKLY ECONOMIC UPDATE

November 21, 2016

WEEKLY QUOTE

“Good plans shape good decisions. That’s why good planning helps to make elusive dreams come true.”

- Lester R. Bittel

WEEKLY TIP

Market volatility is constant and inescapable. Unlike portfolio volatility, you cannot plan to try and control it. So, embrace it, and the opportunities it may present to you.

WEEKLY RIDDLE

Kathryn decides to donate \$10 million to charity. After she makes the donation, she becomes a multi-millionaire. How is this possible?

Last week’s riddle: After it rises, it usually loses weight. After it falls, it often becomes heavier. What is it?

Last week’s answer: An elevator.

YELLEN HINTS STRONGLY AT A RATE HIKE

Thursday, Federal Reserve chair Janet Yellen told Congress that the central bank could raise the benchmark interest rate “relatively soon,” calling current monetary policy merely “moderately accommodative.” She added that Fed officials envision “only gradual increases in the federal funds rate over time to achieve and maintain maximum employment and price stability.” Friday, the Fed Rate Monitor Tool at Investing.com put the possibility of a December rate hike at 91%.^{1,2}

FRESH SIGNS OF A HEALTHY ECONOMY

Two economic indicators really stood out last week. Headline and core retail sales increased 0.8% in October, according to the Census Bureau (which also revised the September retail sales gain north to 1.0%). Housing starts advanced 25.5% last month, the Bureau also noted; this more than offset a 9.5% September dip.³

CONSUMER PRICES ROSE 0.4% IN OCTOBER

This change in the Consumer Price Index took its year-over-year increase to 1.6%. A mere 0.1% monthly gain in the core CPI left its 12-month advance at 2.1%. Producer prices were flat last month, with core prices retreating 0.2%; in the year ending in October, the headline Producer Price Index rose only 0.8% with the core PPI advancing 1.2%.³

BIG THREE SEE ANOTHER WEEK OF GAINS

Wall Street was still very bullish last week, and the Nasdaq Composite set the pace among the three major indices. The tech benchmark added 1.61% in five days to settle at 5,321.51 Friday. Smaller weekly gains came for the Dow Jones Industrial Average (0.11% to 18,867.93) and S&P 500 (0.81% to 2,181.90). WTI crude ended the week at \$45.56 on the NYMEX; gold, at \$1,208.50 on the COMEX.⁴

THIS WEEK: On Monday, Jack in the Box, Palo Alto Networks, Tyson Foods, and Weibo present earnings. October existing home sales figures are out Tuesday, along with earnings from Barnes & Noble, Burlington Stores, Campbell Soup, Chico’s FAS, Cracker Barrel Old Country Store, Dollar Tree, DSW, GameStop, Hormel Foods, Hewlett Packard Enterprise, Kirkland’s, Medtronic, Urban Outfitters, and Valspar. Wednesday is filled with major reports: Wall Street looks at October new home sales and capital goods orders, initial jobless claims, the final November household sentiment index from the University of Michigan and the minutes from the November Federal Reserve policy meeting, along with Q3 results from Deere & Co. On Thursday, U.S. stock and bond markets are closed for Thanksgiving. Friday, Wall Street returns for a half-day of trading with no major earnings reports or news releases scheduled.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.28	+6.38	+11.99	+5.29
NASDAQ	+6.27	+4.85	+21.37	+11.76
S&P 500	+6.75	+4.72	+15.90	+5.57
REAL YIELD	11/18 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.44%	0.71%	0.05%	2.33%

Sources: wsj.com, bigcharts.com, treasury.gov - 11/18/16^{4,5,6,7}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation.

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Ellen Dorle, CFP Dorle Financial, LLC 7957 Olentangy River Road Columbus, OH 43235
edorle@ellendorle.com www.ellendorle.com 614-880-0064 Fax: 614-880-0067

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Citations.

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